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No. 06-1691

Supreme Court, U.S.
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In The
Supreme Court of the United States

TRANSCLEAN CORPORATION, ET AL.,

Petitioners,

v.

JIFFY LUBE INTERNATIONAL, INC., ET AL.,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF FOR RESPONDENT JIFFY LUBE INTERNATIONAL, INC. IN OPPOSITION

DAVID J.F. GROSS
JAMES W. PORADEK
AARON D. VAN OORT
Counsel of Record
TIMOTHY E. GRIMSRUD
FAEGRE & BENSON LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-3901
(612) 766-7000
Counsel for Jiffy Lube International, Inc.

COCKLE LAW BRIEF PRINTING CO (800) 225-6964
OR CALL COLLECT (402) 342-2831

QUESTION PRESENTED

Whether a federal court of appeals may in its discretion apply judicial estoppel to refuse to consider a position (1) that a party takes for the first time during oral argument on appeal; (2) that is directly opposite the position the party took in its complaint, its discovery responses, its briefing in the district court, and its opening brief on appeal; and (3) that is opposite the position the district court adopted in reliance on the party's earlier statements?

RULE 29.6 STATEMENT

Shell Oil Company is the parent corporation of respondent Jiffy Lube International, Inc.

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INTRODUCTION

This case does not present the question of judicial estoppel that the Petition raises, because waiver is an independent, alternative basis for the ruling below. Petitioner Transclean argued in its complaint, its discovery responses, its summary judgment briefing in the district court, and its opening brief on appeal that privity existed between Respondents and Bridgewood Services, Inc., a defendant in a prior suit filed by Transclean. Transclean made its privity arguments consciously and for a strategic purpose—to persuade the courts to apply the doctrine of *issue* preclusion and bar Respondents from litigating certain patent infringement issues that Transclean claimed had been decided in its suit against Bridgewood. Only when it became clear to Transclean at oral argument in the Federal Circuit that its position on privity was going to cost it the case because of the doctrine of *claim* preclusion did Transclean attempt to change position and argue that privity did not exist. But by then, Transclean had conclusively waived that argument. Respondent Jiffy Lube preserved the waiver argument below. Waiver is therefore an independent bar to Transclean's new privity argument, and it precludes a grant of certiorari.

Even if the Court could reach the issue of judicial estoppel, the Federal Circuit's decision is nothing more than a correct, factbound application of the discretionary principles that this Court announced in its unanimous opinion in *New Hampshire* v. *Maine*, 532 U.S. 742 (2001). Petitioner's claims of a circuit split rely on decisions that predate *New Hampshire* and from which the circuits have receded in *New Hampshire*'s wake. No split currently exists. Even if one did exist, it would not be implicated by this case, which presents the classic facts for the

application of estoppel: A party that persuaded the court to adopt its position on how the law applied to the particular facts of its case, then "deliberately chang[ed] positions according to the exigencies of the moment," *id.*, at 750, "to the prejudice of the party who has acquiesced in the position formerly taken by [it]." *Id.*, at 749. Respondent Jiffy Lube therefore respectfully asks the Court to deny review.

Respondent Jiffy Lube does not address the second question presented by the Petition, regarding the authority of an appellate court to apply the doctrine of claim preclusion *sua sponte* to the benefit of parties who did not appear in that court. That question relates only to certain other Respondents who did not make appearances in the district court and the Federal Circuit. It does not relate to or affect Jiffy Lube.

STATEMENT OF THE CASE

This Petition arises out of two successive patent-infringement suits filed by Petitioner Transclean, the exclusive licensee of U.S. Patent No. 5,318,080 ("the Patent") owned by Petitioners James P. Viken, Jon A. Lang, and Donald E. Johnson. Transclean filed the first suit against Bridgewood Services, Inc., the manufacturer of a device to change transmission fluid that Transclean alleged infringed on the Patent. Transclean won that suit but did not collect on the judgment. Instead, it filed a second suit—the action below—against Jiffy Lube and the

other Respondents,[1] who had bought and used the same physical machines that were at issue in the first suit.

Transclean argued in the second suit that issue preclusion barred Jiffy Lube and the other Respondents from relitigating the issue of infringement because they were in privity with Bridgewood. In response, Jiffy Lube argued that, because Transclean admitted that privity existed, Transclean was barred from suing them at all by the doctrine of claim preclusion. Jiffy Lube's counter-argument did not make Transclean back off its position of privity. To the contrary, Transclean reaffirmed its privity concession repeatedly throughout the district court proceedings and on appeal and opposed claim preclusion only on other grounds. Only at oral argument on appeal in the Federal Circuit did Transclean attempt to change positions on privity. That belated switch prompted the Federal Circuit's ruling on judicial estoppel, which Transclean now asks the Court to review.

A. Transclean's First Suit To Enforce The Patent

On April 28, 1998, Transclean filed a complaint against Bridgewood Services, Inc. in the District of Minnesota, alleging that Bridgewood "has in the past and continues in the present to make, use, sell, or offer to sell products embodying the invention claimed in the ... Patent, thereby infringing the ... Patent." Court of Appeals Appendix ("C.A. App.") 384. The accused product was

[1] As the Petition explains, some of the defendants below did not answer the complaint and were defaulted. Other defendants participated in the litigation. Pet. 3-4. Jiffy Lube submits this brief only on its own behalf and not on behalf of any other respondent.

Bridgewood's T-Tech automatic-transmission fluid changing machine. *Id.*, at 383.

As a sanction for discovery violations, the district court entered summary judgment of infringement against Bridgewood on several claims of the Patent. The case then went to trial. Transclean won and obtained a final judgment against Bridgewood of $1,874,500. That final judgment reflected post-trial deductions of nearly $4 million dollars from the jury's award of damages, and the denial of costs and attorneys fees. Transclean appealed, but the Federal Circuit affirmed. *Transclean Corp.* v. *Bridgewood Services, Inc.*, 290 F.3d 1364, 1375-78, 1380 (CAFed 2002) (*Transclean I*).

B. The Proceedings Below In This, Transclean's Second, Suit To Enforce The Patent

1. Transclean's lawsuit against Jiffy Lube. Eight days after *Transclean I*, Transclean filed this suit in the District of Minnesota against Jiffy Lube and more than 30 other fast lube businesses (many of them small, independently owned shops in Minnesota). The district court had jurisdiction under 28 U.S.C. §§ 1331 and 1338(a).

Although Transclean states in its Petition that it filed this suit because it "could not" collect on its judgment against Bridgewood, Pet. 3, the timeline belies that claim, and no evidence in the record supports it. Only eight days passed between *Transclean I* and the filing of Transclean's second suit, and Transclean made no effort in the short period in the interim to collect on the judgment.

Transclean's positions in this litigation evidenced a purpose to use the infringement ruling it had obtained

through Bridgewood's discovery violations to increase its damages recovery. Transclean argued in the district court: (1) that Respondents were precluded from relitigating the issue of infringement; (2) that Transclean was not precluded from relitigating the issue of damages; and (3) that Transclean's claims against Jiffy Lube and the other Respondents were not precluded in their entirety for not having included them as defendants in the first action.

To advance its argument on issue preclusion, Transclean took the (necessary) position that privity existed between Bridgewood and Jiffy Lube and the other Respondents. In its amended complaint, Transclean alleged that Jiffy Lube and the other Respondents were "bound by the findings" of infringement and validity in *Transclean I*. C.A. App. 100. When Jiffy Lube asked in an interrogatory for the factual basis for this contention, Transclean answered that Jiffy Lube and Bridgewood were in privity:

> As a purchaser of infringing T-Tech Devices manufactured by T-Tech and/or Bridgewood Services, Inc, Jiffy Lube is in privity with T-Tech and/or Bridgewood Services, Inc. and is bound by the judgment against them.

C.A. App. 852.

Both Jiffy Lube and Transclean filed motions for summary judgment, and in the briefing on both motions, Transclean continued to take the position that Jiffy Lube and Bridgewood were in privity. To support its own motion on issue preclusion, Transclean argued that:

> [t]he Defendants in this case were in privity with Bridgewood. They are accused of infringing the same patent by using the same T-Tech Devices

> already found to fall within claims 1, 2, 3, 4, and 12 of the '080 Patent. As the manufacturer of the T-Tech Devices, Bridgewood was closely related to the users of the T-Tech Devices, and had an identical interest in defeating Transclean's infringement allegations and invalidating the '080 Patent.

C.A. App. 894-895. Transclean further argued that Bridgewood and Jiffy Lube were in privity because Jiffy Lube was "'closely related' to Bridgewood with respect to the accused devices and had 'nearly identical' interests in the outcome of the litigation." *Id.*, at 902-903.

Based in part on Transclean's privity concession, Jiffy Lube moved for summary judgment on the basis of claim preclusion. C.A. App. 358-360. Transclean opposed the motion, but not on the basis that privity was lacking. Instead, it stated to the district court that Jiffy Lube and Bridgewood were "in privity because Bridgewood was a manufacturer of the infringing product and Jiffy Lube is a user of the same infringing product," *id.*, at 670, and that "there exists privity between Bridgewood and Jiffy Lube," *id.*, at 670-671 n. 3.

2. The District Court's summary judgment decision. Based on this record, the District Court took it as given that Jiffy Lube was in privity with Bridgewood. Addressing Jiffy Lube's motion for summary judgment on claim preclusion, the District Court quoted Transclean's express admission in its brief in opposition to Jiffy Lube's motion that privity existed, Pet. App. 36a, then concluded that Transclean does not "dispute that Jiffy Lube is in privity with the defendant in the prior litigation." *Ibid.* The court determined that the remaining factors for claim

preclusion were met and therefore granted summary judgment for Jiffy Lube. *Id.*, at 37a-38a.

With respect to Transclean's motion for summary judgment of infringement based on issue preclusion, the district court began by noting that the only dispute between the parties was whether infringement was "actually litigated" in *Transclean I*. Pet. App. 44a. The District Court held that, because the ruling of infringement in *Transclean I* was assessed as a discovery sanction, the merits of the issue had not actually been litigated. *Id.*, at 44a-45a. Accordingly, Respondents could not be precluded from relitigating the infringement issue. *Id.*, at 45a.

Transclean did not move for reconsideration or rehearing on the issue of privity.

3. Proceedings in the Federal Circuit. Transclean appealed the district court's decision to the Federal Circuit, but it did not challenge the District Court's finding of privity between Jiffy Lube and Bridgewood in its opening brief on appeal. To the contrary, Transclean affirmatively argued that the district court had gotten it right and that privity existed for purposes of claim preclusion:

> "[To] prevail on a claim of [claim preclusion], the party asserting the bar must prove that (1) the parties are identical or in privity; (2) the first suit proceeded to a final judgment on the merits; and (3) the second claim is based on the same set of transactional facts as the first." *Ammex, Inc.* v. *U.S.*, 334 F.3d 1052, 1055 (Fed. Cir. 2003.)
>
> The first element is met here. As the District Court correctly noted, and as they admitted themselves, the Participating Appellees have a

> "special relationship" of privity with Bridgewood. The second element also is met. . . .

Appendix to Brief in Opposition ("App.") 5-6, *infra*. Jiffy Lube accordingly noted in its Appellee's Brief that Transclean had waived any right to challenge the existence of privity. Jiffy Lube Br. at 22 n. 5.

Nor did Transclean retract its admission in its reply brief. In a footnote, Transclean stated that, because the Federal Circuit reviews claim preclusion rulings *de novo*, the Federal Circuit "could determine that the Participating Appellees and Bridgewood were not in privity." App. 10 n. 2, *infra*. But it did not ask the Federal Circuit to so hold. Only at oral argument, after hearing the views of the panel, did Transclean finally try to retreat from its prior privity admissions.

4. The Federal Circuit's Decision. The Federal Circuit identified the issue before it as "whether, having failed to bring infringement claims against the users in the first litigation, Transclean should be barred under the doctrine of claim preclusion from bringing those claims in a second suit." Pet. App. 8a. Regarding the element of privity, the Federal Circuit explained that the "issue of privity was not in dispute before the trial court because Transclean admitted several times that the defendants in this case were in privity with Bridgewood." *Id.*, at 10a.

The only issue, therefore, was whether Transclean's prior admissions barred it from reversing its position. Pet. App. 12a-13a. The Federal Circuit explained that Transclean "initially believed it could avoid the application of claim preclusion even though it conceded the existence of privity between Bridgewood and its customers." *Id.*, at 13a. But, "[a]pparently recognizing the problem with that

position," Transclean now contended "that privity cannot be admitted because it is a question of law and that we are free to determine that Bridgewood and the Participating Defendants were not in privity if that conclusion is supported by the actual facts." *Id.* Applying this Court's decision in *New Hampshire* v. *Maine*, 532 U.S. 742 (2001), the Federal Circuit held that "even if Transclean is correct that the issue should be characterized as a legal conclusion, we think Transclean should be bound by its concession under the doctrine of judicial estoppel." Pet. App. 13a. As the Federal Circuit concluded:

> Transclean made the choice to concede privity between Bridgewood and its customers after choosing not to join the customers in the first litigation. Under the circumstance presented by this case, we believe Transclean should be held to the consequences of its choices. Transclean should not be permitted to reverse course this late in the proceedings simply because it now realizes its litigation strategy was unsuccessful.

Pet. App. 14a.

Transclean subsequently filed a Petition for Rehearing or Rehearing En Banc, which the Federal Circuit denied.

REASONS FOR DENYING THE PETITION

I. This Case Is A Poor Vehicle For Considering The Judicial-Estoppel Question, Because Petitioner's Underlying Privity Argument Is Independently Barred By Waiver.

This case is ill-suited to address the judicial-estoppel question presented in the Petition, because Transclean

consciously, repeatedly, and conclusively waived any argument that Jiffy Lube and the other Respondents were not in privity with Bridgewood in both the district court and the Federal Circuit. If the Court were to grant review, it would therefore never reach the estoppel issues, because it would simply affirm first on grounds of waiver. Alternatively, if the Court addressed the judicial-estoppel issues first, its ruling would have no practical significance, because Transclean's waiver would still independently bar it from raising its no-privity argument. The Court should therefore deny the Petition.

Transclean first waived its no-privity argument by failing to present it to the district court. Federal courts of appeals apply the discretionary doctrine of waiver to refuse to consider issues that were not first presented to the district court. A party who does not raise an argument in the district court "cannot . . . be heard to make the argument for the first time on appeal." *Golden Blount, Inc.* v. *Robert H. Peterson Co.*, 365 F.3d 1054, 1062 (CAFed 2004). *See also Orr* v. *Wal-Mart Stores, Inc.*, 297 F.3d 720, 725 (CA8 2002) (same). "If a litigant seeks to show error in a trial court's overlooking an argument, it must first present that argument to the trial court." *Sage Products, Inc.* v. *Devon Indus., Inc.*, 126 F.3d 1420, 1426 (CAFed 1997). As this Court stated, "[i]t is the general rule, of course, that a federal appellate court does not consider an issue not passed upon below." *Singleton* v. *Wulff*, 428 U.S. 106, 120 (1976). *See also Sprietsma* v. *Mercury Marine*, 537 U.S. 51, 56 n. 4 (2002) ("Because this argument was not raised below, it is waived."). Transclean never presented to the district court its argument that Respondents and Bridgewood were not in privity. Indeed, it expressly took the opposite position and asked the district court to find

that privity existed. Transclean therefore waived the right to argue on appeal that privity did not exist.

Transclean also and independently waived its no-privity argument by failing to raise the argument in its opening brief on appeal to the Federal Circuit. The courts of appeals apply the discretionary doctrine of waiver to refuse to consider issues that an appellant does not raise in its opening brief. "[A]n issue not raised by an appellant in its opening brief . . . is waived." *Becton Dickinson & Co.* v. *C.R. Bard, Inc.*, 922 F.2d 792, 800 (CAFed 1990). *See also Optivus Technology, Inc.* v. *Ion Beam Applications S.A.*, 469 F.3d 978, 989 (CAFed 2006) (same); *Ahlberg* v. *Chrysler Corp.*, 481 F.3d 630, 634 (CA8 2007) (same). This Court applies the same type of waiver rule to briefs filed with it. *See, e.g.,* Supreme Court Rule 15.2 ("Any objection to consideration of a question presented based on what occurred in the proceedings below . . . may be deemed waived unless called to the Court's attention in the brief in opposition."). Far from raising its argument that Respondents and Bridgewood were not in privity, Transclean affirmatively declared in its opening brief to the Federal Circuit that the district court had correctly concluded that they were in privity. That is an unambiguous waiver of the right later to argue the opposite.

Jiffy Lube identified Transclean's waivers in its appellee brief in the Federal Circuit. Jiffy Lube Br. at 22 n. 5. The waiver argument is therefore fully preserved and stands as an independent bar to Transclean's no-privity argument. Hence, either the Court would never reach the judicial-estoppel issues if it addressed waiver first, or its decision would have no practical significance if it addressed estoppel first but then found the privity argument

waived in any event. Because of these vehicle problems, the Court should deny review.

II. The Only Judicial-Estoppel Issue Presented For Review Is A Correct, Factbound Application Of The Court's Recent Decision In *New Hampshire* v. *Maine*.

Even if the Court could reach it, the judicial-estoppel issue is not worthy of review because the decision below is nothing more than a correct, factbound application of the controlling principles that the Court established in *New Hampshire* v. *Maine*, 532 U.S. 742, 750 (2001).

The general principles that govern judicial estoppel are already settled, because the Court devoted its unanimous opinion in *New Hampshire* to establishing them. The purpose of the doctrine is "to protect the integrity of the judicial process by prohibiting parties from deliberately changing positions according to the exigencies of the moment." 532 U.S., at 749-50 (citation and quotation marks omitted). In the words of a lower court that this Court adopted, "judicial estoppel prevents parties from playing fast and loose with the courts." *Id.*, at 750 (quotation marks omitted).

The doctrine of judicial estoppel is discretionary and its application factbound. The Court expressly declined in *New Hampshire* to establish "inflexible prerequisites or an exhaustive formula for determining the applicability of judicial estoppel." *Id.*, at 751. Instead, it laid out three factors that courts may consider, among others. First, "a party's later position must be 'clearly inconsistent' with its earlier position." *Id.*, at 750. Second, "courts regularly inquire whether the party has succeeded in persuading a

court to accept that party's earlier position, so that judicial acceptance of an inconsistent position in a later proceeding would create 'the perception that either the first or the second court was misled.'" *Id.* Third, courts consider "whether the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped." *Id.*, at 751.

The Federal Circuit correctly quoted and applied *New Hampshire* to the facts of this case. First, the Federal Circuit correctly found that Transclean's new position was "clearly inconsistent" with its old one. As the court explained, the "determination that Transclean asks us to make—that Bridgewood and the [Respondents] were not in privity for claim preclusion purposes—is clearly inconsistent with the position it advocated before the trial court and in its opening brief on appeal." Pet. App. 14a.

Second, the Federal Circuit correctly found that Transclean had succeeded in persuading the district court to adopt its position. Just as in *New Hampshire*, Transclean agreed with the opposing side on a question of law applied to the facts of the case, and the court adopted that position in reliance on the party's position. In *New Hampshire*, the State of New Hampshire agreed with Maine on the interpretation of a 1740 decree of King George II of England setting their mutual boundary at the "Middle of the River," and this Court incorporated the interpretation into a consent decree. *Id.*, at 747. Here, Transclean agreed with Jiffy Lube that Jiffy Lube was in privity with Bridgewood for purposes of claim preclusion, and the district court relied on and adopted that position in its order on summary judgment. The "trial court accepted Transclean's admission of privity, and the

defendants relied on that admission during both the trial and appellate phases of this litigation." Pet. App. 14a. If Transclean were allowed to switch positions now, it would create the perception—because it would be true—that the district court was misled.

Third, there is no doubt that Transclean "deliberately chang[ed] positions according to the exigencies of the moment," *id.*, at 750, "to the prejudice of the party who has acquiesced in the position formerly taken by [it]." *Id.*, at 749 (quotation marks omitted). Transclean's abrupt switch from arguing that privity existed between it and Jiffy Lube to arguing that it did not exist falls within the heart of the doctrine, which aims to prevent parties from playing fast and loose with the courts. As the Federal Circuit concluded:

> As part of its litigation strategy, Transclean made the choice to concede privity between Bridgewood and its customers after choosing not to join the customers in the first litigation. Under the circumstances presented by this case, we believe Transclean should be held to the consequence of its choices. Transclean should not be permitted to reverse course this late in the proceedings simply because it now realizes its litigation strategy was unsuccessful.

Pet. App. 15a. The Federal Circuit correctly protected the courts against Transclean's opportunism. There is no reason for this Court to grant review.

Finally, to the extent that Transclean now complains that the Federal Circuit's estoppel analysis was less extensive than it would have preferred, that is a problem entirely of Transclean's own making. Transclean did not attempt its switch until oral argument, so the parties had

no opportunity to brief the issue of estoppel. The Federal Circuit was left to its own resources—and that is a reason not to grant review, but to deny it.

III. This Case Does Not Implicate Any Circuit Split.

The foregoing discussion should make it clear that this case does not implicate any circuit split. The decision below is a factbound, discretionary decision that correctly applies *New Hampshire* and does not conflict with any other circuit decision.

A. The discretionary, factbound test established by *New Hampshire* is an unlikely source for a true circuit split.

Petitioner's claim of a split ignores the existence and effect of the Court's decision in *New Hampshire*. *New Hampshire* "altered the legal landscape" of judicial estoppel. *Johnson* v. *Lindon City Corp.*, 405 F.3d 1065, 1068 (CA10 2005).

New Hampshire first of all has introduced uniformity into the general principles of judicial estoppel. The Court itself applied *New Hampshire* to resolve an estoppel issue last Term. *Zedner* v. *U.S.*, 547 U.S. ___, 126 S. Ct. 1976, 1987 (2006). Two circuit courts that categorically rejected judicial estoppel before *New Hampshire*—the Tenth Circuit and the D.C. Circuit—have reversed course and now recognize the doctrine. *Johnson*, 405 F.3d, at 1068 (CA10); *In re Smith*, 285 F.3d 6, 9 (CADC 2002). Moreover, in cases beginning in 2001 and continuing through this year, every circuit except the D.C. Circuit has expressly employed the factors articulated in *New Hampshire* in helping to determine whether or not to apply judicial

estoppel in particular cases, and the D.C. Circuit has cited the case favorably. *See Alternative System Concepts, Inc.* v. *Synopsys, Inc.*, 374 F.3d 23, 31-33 (CA1 2004); *Mulvaney Mechanical, Inc.* v. *Sheet Metal Workers Int'l Ass'n., Local 38*, 288 F.3d 491, 504 (CA2 2002), certiorari granted, vacated, and remanded on other grounds, 538 U.S. 918 (2003); *U.S.* v. *Pelullo*, 399 F.3d 197, 222-23 (CA3 2005); *1000 Friends of Maryland* v. *Browner*, 265 F.3d 216, 226-27 (CA4 2001); *Hall* v. *GE Plastic Pacific PTE, Ltd.*, 327 F.3d 391, 395-400 (CA5 2003); *Pennycuff* v. *Fentress County Bd. of Educ.*, 404 F.3d 447, 452-53 (CA6 2005); *Jarrard* v. *CDI Telecommunications, Inc.*, 408 F.3d 905, 914-15 (CA7 2005); *Stallings* v. *Hussmann Corp.*, 447 F.3d 1041, 1046-47 (CA8 2006); *Abercrombie & Fitch Co.* v. *Moose Creek, Inc.*, 486 F.3d 629, 633 (CA9 2007); *Johnson*, 405 F.3d, at 1068-69 (CA10); *Burnes* v. *Pemco Aeroplex, Inc.*, 291 F.3d 1282, 1285-86 (CA11 2002); *In re Smith*, 285 F.3d, at 9 (CADC); *Minnesota Min. & Mfg. Co.* v. *Chemque, Inc.*, 303 F.3d 1294, 1303-04 (CAFed 2002).

New Hampshire also established that the process of applying judicial estoppel's general principles is a flexible, discretionary one that turns on the particular circumstances of the case—and the circuits have embraced that aspect of the holding as well. *See Alternative System Concepts*, 374 F.3d, at 33 ("Each case tends to turn on its own facts."); *1000 Friends*, 265 F.3d, at 226 ("the circumstances under which judicial estoppel may appropriately be invoked are probably not reducible to any general formulation of principle"); *Hall*, 327 F.3d, at 396 ("judicial estoppel is an equitable doctrine invoked by a court at its discretion"); *Pennycuff*, 404 F.3d, at 453 (same); *Jarrard*, 408 F.3d, at 914 ("Judicial estoppel is an equitable doctrine to be applied flexibly with an eye toward protecting the

integrity of the judicial process."); *Johnson*, 405 F.3d, at 1068-69 (judicial estoppel is "a discretionary remedy" courts may invoke "to prevent 'improper use of judicial machinery'"); *Burnes*, 291 F.3d, at 1285 (courts have "flexibility in determining the applicability of the doctrine of judicial estoppel based on the facts of a particular case"); *Minnesota Mining*, 303 F.3d, at 1303-04 (the *New Hampshire* factors are "flexible and non-exhaustive").

B. After *New Hampshire*, no split has developed on applying judicial estoppel to questions of law.

After *New Hampshire*, the circuit split that Petitioner claims on the application of judicial estoppel to questions of law does not exist. Certainly, no circuit has indicated that the doctrine is unavailable on the facts of this case, which do not implicate a pure question of law but at most a mixed question of law applied to fact.

The Court's discussion and holding in *New Hampshire* disposes of any argument that judicial estoppel cannot be applied to inconsistent positions on questions of law. The Court did not suggest at any point in *New Hampshire* that judicial estoppel is limited to factual assertions. To the contrary, the Court stated that judicial estoppel can apply to inconsistent "positions," "argument[s]," "claim[s]," and "theories." *See* 532 U.S., at 749 (quoting *Davis* v. *Wakelee*, 156 U.S. 680, 689 (1895); *Pegram* v. *Herdrich*, 530 U.S. 211, 227 n. 8 (2000); 18 *Moore's Federal Practice* § 134.40 (3d ed. 2000); 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 4477 (1981)). The cases the Court quoted and relied upon as authority, moreover, applied the doctrine to legal arguments. In the cited *Davis* case, the petitioner was estopped from challenging a judgment

whose validity he had earlier conceded. 156 U.S., at 689. In the cited case of *In re Cassidy*, 892 F.2d 637 (CA7 1990), the court not only applied judicial estoppel to a legal argument, but expressly rejected the position that it was limited to assertions of fact. *Id.*, at 641-42.

Indeed, in *New Hampshire* itself, the position that the Court estopped New Hampshire from contradicting was a *legal* position. New Hampshire was estopped from changing its position on the interpretation of a 1740 decree by King George II that established part of the boundary between New Hampshire and Maine. As this Court has held, the interpretation of written documents has historically been deemed to be a question of law for the court because "the construction of written instruments is one of those things that judges often do and are likely to do better than jurors unburdened by training in exegesis." *Markman* v. *Westview Instruments*, 517 U.S. 370, 388 (1996) (holding that the construction of patent terms is a question of law). Thus, *New Hampshire* unequivocally supports the view of the circuits that have held that judicial estoppel can apply to questions of law as well as questions of fact. Pet. 13-15. At a minimum, *New Hampshire* leaves no doubt that the doctrine was properly applied in this case, where Transclean's concession was not on a pure issue of law, but rather on the question whether privity existed between the parties on the particular facts of this case.

In addition, *New Hampshire* has tangibly changed the view of those circuits that Transclean contends had taken an "intractable" position limiting the doctrine to questions of fact. Pet. 11-13. The Second Circuit, which appeared to limit judicial estoppel to factual assertions prior to *New Hampshire*, recently issued an unpublished decision in

which the panel applied judicial estoppel to a party that had earlier represented to the court that it was making no breach of contract claim against a defendant in the litigation, *Sewell* v. *1199 Nat'l Ben. Fund for Health and Human Services*, 187 Fed. Appx. 36, 40 (CA2 Jun. 14, 2006). This Court then denied review. 127 S.Ct. 1841 (2007). The Fourth Circuit, which appeared to limit judicial estoppel to factual assertions prior to *New Hampshire*, recently softened the test by stating that this factor and other factors apply only "generally" to the doctrine and agreeing with *New Hampshire* that "the circumstances under which judicial estoppel may appropriately be invoked are probably not reducible to any general formulation of principle." *1000 Friends*, 265 F.3d, at 226-27. The Tenth Circuit, which did not recognize judicial estoppel before *New Hampshire*, now recognizes the doctrine and allows for flexibility in its application, stating only that "the position to be estopped must *generally* be one of fact rather than of law or legal theory." *Johnson*, 405 F.3d, at 1068-69 (emphasis added).

Transclean also suggests that the Sixth and Eleventh Circuits would not apply judicial estoppel outside the context of factual assertions because those circuits limit the doctrine to allegedly inconsistent statements made under oath. Pet. 13. Those circuits, however, have also retreated from their categorical requirement after *New Hampshire*. The Sixth Circuit recently applied the *New Hampshire* factors without mentioning an oath requirement. *Pennycuff*, 404 F.3d, at 452-53. The Eleventh Circuit likewise recently cited *New Hampshire* and stated that the sworn oath factor is "not inflexible or exhaustive; rather courts must always give due consideration to all of the circumstances of a particular case when considering the

applicability of this doctrine." *Burnes*, 291 F.3d, at 1285-86.

Although conceding that "Fifth Circuit law is not clear" on the issue, Transclean nonetheless argues that it appears that this circuit follows the view that judicial estoppel is limited to factual assertions. Pet. 13. Transclean's authority for that assertion is a single sentence from a footnote in a 1993 decision. Transclean ignores, however, the Fifth Circuit's lengthy discussion of *New Hampshire* in *Hall* v. *GE Plastic*. In that case, the Fifth Circuit made it clear that it has the ability to apply judicial estoppel broadly to any party that "'advance[s] one argument and then, for convenience or gamesmanship after that argument has served its purpose, advance[s] a different and inconsistent argument.'" 327 F.3d 391, 397 (CA5 2003) (quoting *Hotard* v. *State Farm Fire & Cas. Co.*, 286 F.3d 814, 818 (CA5 2002)).

The "intractable" split that Petitioner claims thus no longer exists after *New Hampshire*. Moreover, even if some split did exist about the outer bounds of how judicial estoppel applies to pure questions of law, this case would not implicate it. Some courts have held that privity is a pure question of fact, and at most it is a mixed question of law applied to fact. No decision, after *New Hampshire*, has held that the doctrine of judicial estoppel is inapplicable in the situation presented by this case, where a party urges the district court to reach one conclusion based on the facts of the case, repeats that position in its opening brief on appeal, and then at oral argument takes the exact opposite position, without any claim that the facts or the law have changed, only its strategy.

C. After *New Hampshire*, there is no disagreement among the circuits over what kind of success is necessary to trigger judicial estoppel.

Transclean's second attempt to manufacture an "intractable" circuit split is even less well grounded than the first. Transclean contends that there is a disagreement between the circuits on the kind of legal success necessary to trigger the doctrine. That is not correct. In *New Hampshire*, the Court clearly defined what "success" means in the context of judicial estoppel: "[C]ourts regularly inquire whether the party has *succeeded in persuading a court to accept that party's earlier position*, so that judicial acceptance of an inconsistent position in a later proceeding would create 'the perception that either the first or the second court was misled.'" 532 U.S., at 750 (emphasis added). The Court repeated exactly this articulation of the success factor last term in *Zedner*, 126 S. Ct., at 1987. Thus, contrary to the argument that *Transclean* makes in its petition, the Court does not require that a party must win on the merits to achieve success for purposes of judicial estoppel. Under *New Hampshire*, the "success" factor asks only whether the party succeeded in persuading a court to accept that party's earlier position.

Not a single circuit disagrees with the Court's definition of "success." Since *New Hampshire*, virtually every circuit—including the First and Third Circuits, which Transclean identifies as the sources of the claimed circuit split—has expressly defined "success" in a manner similar or identical to the Court's definition. *See Alternative System Concepts*, 374 F.3d, at 33 (CA1); *Mulvaney Mechanical*, 288 F.3d, at 504 (CA2); *Pelullo*, 399 F.3d, at 222-23 (CA3); *1000 Friends*, 265 F.3d, at 226 (CA4); *Hall*, 327

F.3d, at 396 (CA5); *Pennycuff*, 404 F.3d, at 453 (CA6); *Jarrard*, 408 F.3d, at 914 (CA7); *Stallings*, 447 F.3d, at 1047 (CA8); *Abercrombie & Fitch Co.*, 486 F.3d, at 633 (CA9); *Johnson*, 405 F.3d, at 1069 (CA10); *Burnes*, 291 F.3d, at 1285 (CA11); *Minnesota Mining*, 303 F.3d, at 1303 (CAFed).

In addition, under any definition of "success," Transclean succeeded in advancing its privity position with respect to claim preclusion in the district court. Jiffy Lube and the other Respondents did not dispute it, and the district court quoted Transclean's admission and relied on it in the court's opinion granting summary judgment.

No circuit split therefore exists, and even if there were some theoretical split, it would not be implicated by the facts of this case.

IV. Jiffy Lube Does Not Address The Second Question Presented In The Petition, Because It Relates Only To Other Respondents

In addition to the judicial-estoppel question that Jiffy Lube has addressed, the Petition raises a second question about the authority of an appellate court to apply the doctrine of claim preclusion *sua sponte* to the benefit of parties who did not appear in that court. That second question relates only to the Respondents who did not participate in the case in either the district court or the Federal Circuit. Because Jiffy Lube appeared in the case and asked for a judgment of claim preclusion in both the district court and the Federal Circuit, the second question does not apply to it, and Jiffy Lube will not address it. In the unlikely event that the Court grants review of that question, Jiffy Lube respectfully requests the Court to

state in its Order that the grant does not implicate Jiffy Lube and does not affect the judgment entered in favor of Jiffy Lube.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

DAVID J.F. GROSS
JAMES W. PORADEK
AARON D. VAN OORT
Counsel of Record
TIMOTHY E. GRIMSRUD
FAEGRE & BENSON LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-3901
(612) 766-7000
Counsel for Jiffy Lube International, Inc.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

06-1077

TRANSCLEAN CORPORATION, JAMES P. VIKEN, JON A. LANG, AND DONALD E. JOHNSON

Plaintiffs-Appellants,

v.

JIFFY LUBE INTERNATIONAL, INC.,

Defendant-Appellee,

and

REGIONAL CAR WASH DISTRIBUTORS, INC., WALT GISLASON (doing business as Walt's Soft Car Wash), and MIKE'S IN OUT 10 MINUTE OIL CHANGE,

Defendants-Appellees,

and

INDY LUBE, INC.,

Defendant-Appellee, and

FRESH START, INC., LUBRICATION TECHNOLOGIES, INC., LAYNE R. BASE (doing business as Heartland Express Lube), and PERFECT "10" QUICK LUBE, INC.,

Defendants-Appellees,

and

ULTRA-LUBE

Defendant-Appellee,

and

BOB CLEMONS (doing business as Wonder Lube), BILL CLARK OIL CO., ROYAL LUBE AND SERVICE, INC., 13 NORTH EXPRESS LUBE, INC., SPOTS QUICK LUBE, INC., and WHITE BEAR TIRE & AUTO, INC.

Defendants.

Appeal from the United States District Court for the District of Minnesota in case no. 02-CV-1138, Senior Judge Paul A. Magnuson

BRIEF OF PLAINTIFFS-APPELLANTS TRANSCLEAN CORPORATION, JAMES P. VIKEN, JON A. LANG, AND DONALD E. JOHNSON

ALAN M. ANDERSON
CHRISTOPHER A. YOUNG
FULBRIGHT & JAWORSKI L.L.P.
2100 IDS Center
80 South 8th Street
Minneapolis, MN 55402
(612) 321-2800

Attorneys for Plaintiffs-Appellees

December 30, 2005

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ADDENDUM

* * *

1. The District Court Erred In Finding That The Participating Appellees Proved All Of The Elements Of Claim Preclusion.

"The general concept of claim preclusion is that when a final judgment is rendered on the merits, another action may not be maintained between the parties on the same 'claim,' and defenses that were raised or could have been raised in that action are extinguished." *Hallco Mfg. Co., Inc. v. Foster,* 256 F.3d 1290, 1294 (Fed. Cir. 2001). Claim preclusion issues that are particular to patent law, like the one presented here, must be analyzed under applicable Federal Circuit law. *Id.* at 1294. This Court reviews questions regarding claim preclusion *de novo. Faust v. United States,* 101 F.3d 675, 677 (Fed. Cir. 1996).

> [To] prevail on a claim of [claim preclusion], the party asserting the bar must prove that (1) the parties are identical or in privity; (2) the first suit proceeded to a final judgment on the merits; and (3) the second claim is based on the same set of transactional facts as the first.

Ammex, Inc. v. U.S., 334 F. 3d 1052, 1055 (Fed. Cir. 2003).

The first element is met here. As the District Court correctly noted, and as they admitted themselves, the Participating Appellees have a "special . . . relationship" of privity with Bridgewood. A6; A358, 370, 378; A864, 872, 880; A881; A882. The second element also is met. This Court affirmed the District Court's finding of infringement and validity in the Bridgewood Litigation. *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d at 1373, 1374. The Participating Appellees cannot, however, prove the third element.

* * *

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FOR THE FEDERAL CIRCUIT

06-1077

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ALAN M. ANDERSON
CHRISTOPHER A. YOUNG
FULBRIGHT & JAWORSKI L.L.P.
2100 IDS Center
80 South 8th Street
Minneapolis, MN 55402
(612) 321-2800

Attorneys for Plaintiffs-Appellees

February 22, 2006

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* * *

A. The Manufacturers And Other Infringers In *Birdsell* And Its Progeny Were In Privity, Just Like The Participating Appellees' And Bridgewood.

The Participating Appellees argue that neither *Birdsell* nor its progeny involved parties that were in privity. *Id.* at 34. That is incorrect. The users of the infringing machine in *Birdsell* had the same relationship with the infringing manufacturer as the Participating Appellees had with Bridgewood. Thus, if the Participating Appellees were in privity with Bridgewood, then the defendants in *Birdsell* were also in privity with the manufacturer of the infringing machine.[2]

In *Birdsell,* the Ashland Machine Company ("AMC") had previously been found to infringe the patent-in-suit by manufacturing a particular machine. *Birdsell v. Shaliol,* 485 U.S. at 485. The defendants in *Birdsell* were subsequently accused of infringing the same patent because they used one of the same machines manufactured by AMC that had previously been found to infringe. *Id.* at 485. The situation here is identical. Transclean previously proved that Bridgewood infringed United States Patent No. 5,318,080 ("the '080 Patent") by manufacturing and selling the T-Tech Device, and later sued the Participating

[2] Because this Court reviews questions regarding claim preclusion *de novo, Faust v. United States,* 101 F.3d 675, 677 (Fed. Cir. 1996), it could determine that the Participating Appellees and Bridgewood were not in privity.

Appellees for infringement of the '080 Patent by using T-Tech Devices.

If the Participating Appellees were in privity with Bridgewood, then the defendants in *Birdsell* were also in privity with AMC. That fact, however, did not dissuade the Supreme Court from allowing the patent holder to sue the users and from seeking damages for their infringement. *Birdsell v. Shaliol,* 112 U.S. at 489. Because the parties here are identically situated with the parties in *Birdsell*,[3] the same result, i.e., reversal of the lower court's claim preclusion ruling, should occur.

The *Jurgens* cases provide an even more compelling basis to reject the Participating Appellees' argument regarding privity. In *Jurgens v. McKasy*, 927 F.2d 1552 (Fed. Cir. 1991), the plaintiffs sued McKasy for distributing an infringing product and for trade dress infringement. *Id.* at 1556. The plaintiffs also sued CBK, Ltd. ("CBK"), the manufacturer of the infringing product. *Id.* They did not, however, accuse CBK of patent infringement. *Id.* Instead, CBK was only accused of infringing the plaintiffs' trade dress. *Id.* The jury found the distributor

[3] Bridgewood and the Participating Appellees are nearly identically situated with the parties in several of the other cases cited by Transclean. *See, e.g., Cold Metal Process Co. v. E.W. Bliss Co.*, 285 F.2d 231, 2242-43 (6th Cir. 1960) (reversing the dismissal of a patent holder's infringement claim against a user of mills already found to infringe in suit against their manufacturer); *Dowagiac Mfg. Co. v. Deere & Webber Co.*, 284 F. 331 (8th Cir. 1922) (allowing patent holder to sue jobber of same grain drills already found to infringe in suit against their manufacturer); *Kryptok Co. v. Stead Lens Co.*, 190 F. 767 (8th Cir. 1911) (allowing a patent holder to sue purchasers of allegedly infringing bifocal lenses while suit against manufacturer was still pending).

liable for patent and trade dress infringement, and found CBK liable for trade dress infringement. *Id.*

In *Jurgens v. CBK, Ltd.*, 80 F.3d 1566 (Fed. Cir. 1996), the same plaintiffs again sued CBK, this time claiming that it infringed the same patent by manufacturing the same product that was the subject of the previous suit. *Id.* at 1568-69. The *Jurgens* cases thus involved not only parties that were in privity, but actually involved the *same* parties. In essence, the *Jurgens* cases involved defendants with the ultimate form of privity – they were precisely the *same* entity.